

A comparative study on cash flow statements of State Bank of India and ICICI Bank

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Abstract

Cash flow statement is a statement which states the inflows and outflows of cash and cash equivalents in an organization during a specified period of time. According to AS-3, an enterprise should prepare cash flow statement and should present it for each period for which financial statements are prepared. A statement of cash flow reports cash receipts and payments classified according to the entities, major activities—operating, investing and financing during the period. It explains the causes for the changes in the cash balance. Cash flow statement helps in cash control, cash management and helps the investor in analyzing the cash flow statement. In Present paper, a comparative study has been undertaken between two banks: state Bank of India and ICICI Bank.

Keywords: cash, operating activities, investing activities, financing activities.

Introduction

A cash flow statement provides useful information for short-term analysis and cash planning. It shows the liquidity position of the organization. Information about the cash flows of an enterprise is useful in providing users of financial statements with a basis to assess the ability of the enterprise to utilize those cash flows. It studies the effect of changes of each and every item of balance sheet on the cash position of the company. It helps the management to predict and analyze these situations when business has huge profits but still deficiency of cash to distribute to shareholders. Cash flow statement discloses the increase or decrease in the cash and the reason thereof.

The information provided in the cash flow statement helps the users:

- To find out the liquidity position of the enterprises.
- It discloses the increase or decrease in the cash and cash equivalent.
- It helps in control of cash and management of cash.
- It helps in discloses success or failure of cash planning and providing remedial measures.

Objectives

There are three important activities which are the significant parts of Cash Flow Statements. The analysis of all these activities is undertaken with the following objectives:

1. To take on comparative study on Operating Activities, Investing Activities and Financing Activities for the period of study of selected banks.
2. To assess the liquidity position and solvency position of the Banks.
3. To find out the variation among the three activities i.e. Operating Activities, Investing Activities and Financing Activities of selected Banks.

4. To find out the overall cash position of the selected Banks.

Research methodology

➤ Sample Selection

For the purpose of the study two banks has been selected i.e. State Bank of India and ICICI Bank

➤ Period of Study

The study is conducted for a period of ten financial years i.e. from 2006-2007 to 2015-16.

➤ Data Collection

The relevant data are collected from secondary resources. Data has been collected for SBI Bank and ICICI Bank for ten years from the various sources:

- Published Annual Reports of the Banks for the financial year 2006-07 to 2015-16.
- Websites of the Banks
- Other related websites like
- http://profit.ndtv.com/stock/state-bank-of-india_sbin/financials-historical-cash-flow
- Dion Global Solutions Limited

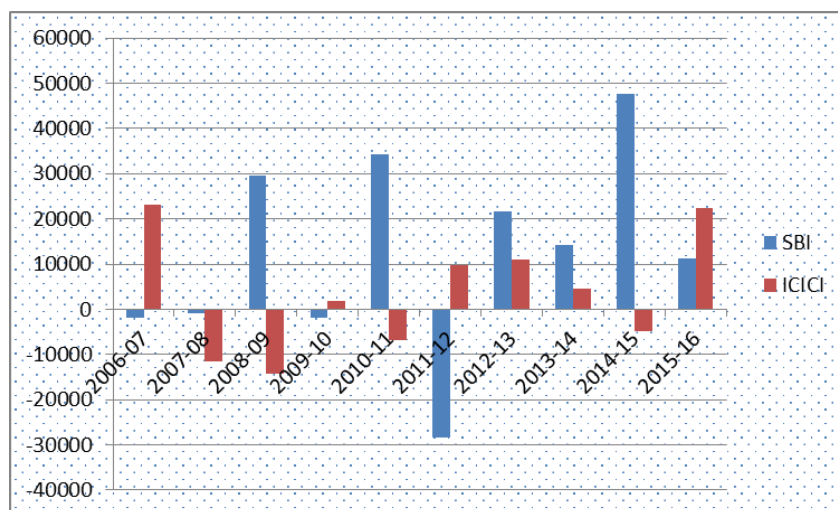
Statistical Tools and Techniques

The statistical analysis technique is selected to analyze the Cash Flow Statements of the banks understudy. For this, following techniques are being used.

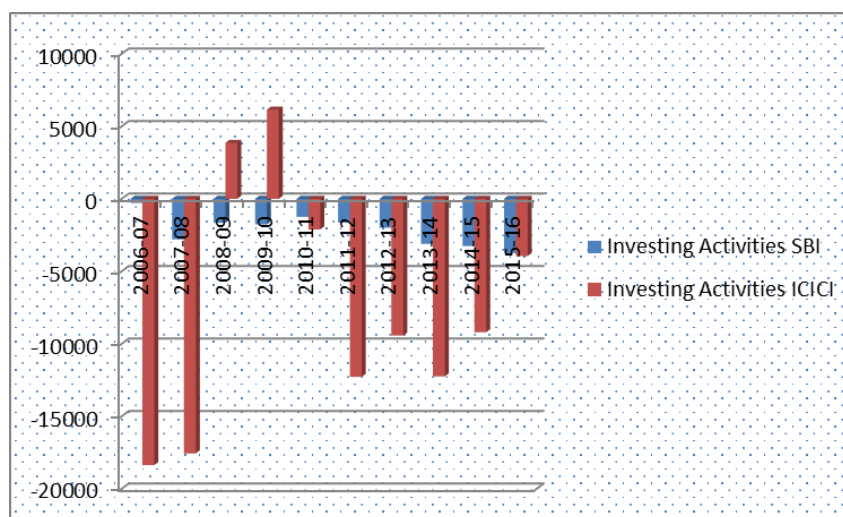
- Mean
- Standard Deviation
- Co-efficient of Variation
- Median

Comparative study (Rs. In Crores)

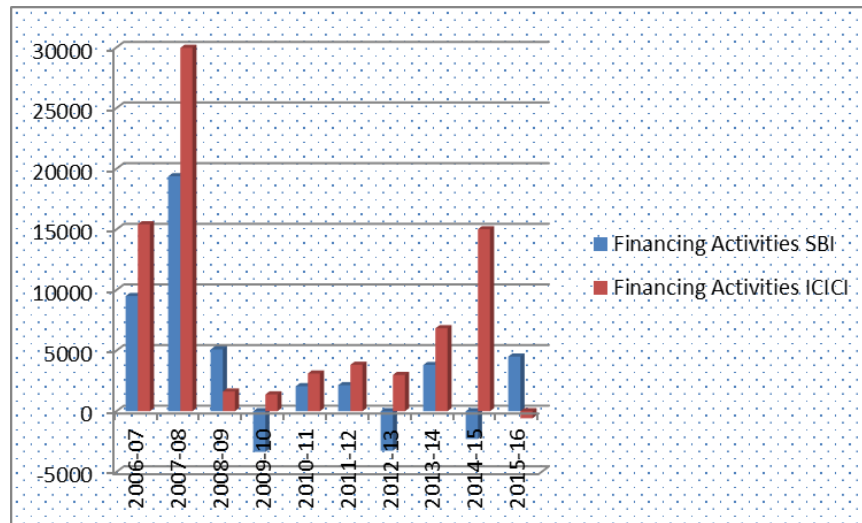
Year	Operating Activities		Investing Activities		Financing Activities	
	SBI	ICICI	SBI	ICICI	SBI	ICICI
2006-07	-1776.07	23061.95	-284.56	-18362.67	9494.11	15414.58
2007-08	-856.87	-11631.15	-2798.01	-17561.11	19371.12	29964.82
2008-09	29479.73	-14188.49	-1651.93	3857.88	5097.38	1625.36
2009-10	-1804.99	1869.21	-1761.52	6150.73	-3359.67	1382.62
2010-11	34282.27	-6908.92	-1245.28	-2108.82	2057.11	3105.97
2011-12	-28,468.59	9683.82	-1,648.56	-12280.17	2,147.66	3829.95
2012-13	21,652.67	11102.01	-1,990.85	-9431.56	-3,259.72	2989.72
2013-14	14107.42	4668.6	-3,105.67	-12246.48	3,811.17	6838.37
2014-15	47566.43	-4824.49	-3,258.10	-9199.56	-2,289.12	15005.67
2015-16	11,196.55	22428.47	-3,748.37	-3949.98	4,505.88	-585.07
Total	125378.55	35261.01	-21492.85	-75131.74	37575.92	79571.99
Average	12537.855	3526.101	-2149.285	-7513.174	3757.592	7957.199
Rank	1	2	1	2	2	1
S.D.	20846.44599	12491.92726	1004.49167	7926.106583	6488.390131	9013.394054
Rank	2	1	1	2	1	2
Median	12651.985	3268.905	-1876.185	-9315.56	2979.415	3467.96
Rank	1	2	2	1	2	1
C.V.	166.2680418	354.2702624	-46.736085	-105.496114	172.6741523	113.2734528
Rank	1	2	2	1	2	1



Cash Flow from Operating Activities



Cash Flow from Investing Activities



Cash Flow from Financing Activities

The performance can be evaluated with the use of different statistical techniques. And all these techniques have some merits and demerits. For the evaluation of performance it is necessary to use the statistical techniques so that conclude it, or come to reasonable conclusion. So far better results use the statistical techniques i.e. average, Standard Deviation, Co-efficient of Variance and Median. Average or mean is calculated to determine one single value that may be used to describe the characteristics of the different companies for each company for given period of time. Subsequently ranks are allocated on the basis of their merit. But this does not serve the complete purpose hence standard deviation, co-efficient of variation are calculated and ranks are given to them on their result basis.

Findings or Interpretation:

1. From the table, average of SBI Bank (12537.855) is higher than ICICI Bank (3526.101) in case of cash flow from operating activities, higher the average higher will be the rank. So, SBI is given 1st rank and ICICI stands at 2nd. In case of cash flow from investing activities average of SBI (-2149.285) is greater than ICICI (-7513.17). So, SBI stands at 1st rank and ICICI stands at 2nd. But in case of cash flow from financing activities is totally changed. Average of ICICI (7957.199) is greater than SBI (3757.592). Accordingly ICICI is given 1st rank and SBI is given 2nd.
2. Standard deviation helps to know variation in activities for given period of time. Lower the standard deviation higher the rank. From the table, S.D. of SBI is higher than ICICI in case of operating activities. So ICICI is given 1st rank and SBI is given 2nd. But in case of cash flow from investing and financing activities S.D. of SBI is less than ICICI. So SBI stands at 1st and ICICI at 2nd.
3. Co-efficient of variation of cash flow from operating activities of SBI is less than ICICI. So SBI is given 1st rank and ICICI is given 2nd rank. But the situation is totally changed in case of cash flow from investing and financing activities, co-efficient of variation of ICICI is lower than SBI. Accordingly, ranks have been changed.

On the basis of the interpretation and findings overall financial position of SBI is more satisfactory than ICICI. Cash position of both the banks SBI and ICICI is good and satisfactory.

Limitation of the Study

Present study based on the secondary resources. It is based on the published data of the banks and other resources. So, the further research can be carried out by considering the aspects given below:

1. As the information is collected from limited sources, it is not possible to use different tools and techniques of statistical analysis.
2. The study is based on secondary data; the secondary data has its own limitations.
3. Some external factors also could affect directly or indirectly to the banks' performance.
4. The entire study is limited to two banks only.

Conclusion

On the basis of the study, Cash Flow Statement is a powerful mechanism of determining cash position and solvency position of the firm. Cash flow statement provides information about the inflow and outflow of cash. It is very useful in the evaluation of cash position of the firm. It helps in planning the repayment of loans, repayment of fixed assets. Through cash flow analysis, company can identify the unfertile use of fund as well as to determine and plan future cash flow. The most mutual pattern is a progressive operating activities cash flow and negative cash flows from investing and financing activities. In conclusion, showing financial statement analysis using information from the statement of cash flows is more challenging than analyses by information from the profit & loss Account and the balance sheet. The primary reason is that it is common for cash flows for certain categories to be negative, thereby forming interpretation difficult. However, an analysis of the association among the groups on the statement of cash flows can provide perception into a company's performance.

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